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SUBJECT: TAIWAN: INVESTIGATIONS ON ILLEGAL EXPORTS TO NORTH KOREA  
AND ATTEMPTED EXPORT TO IRAN

11. (SBU) SUMMARY. In recent conversations with AIT, officials at the Ministry of Economic Affairs Bureau of Foreign Trade (BOFT) confirmed local press reports on the investigation of a Taiwan trading company and an Iranian businessman in Taiwan for export control violations. The case involving the trading company, Royal Team Corporation, for unauthorized exports of machine tools and computer parts to North Korea has been referred to the prosecutors' office and the case involving an Iranian businessman for attempted export of drilling machines to Iran has concluded after a NTD 20,000 (approximately USD 606) fine was imposed against the businessman. END SUMMARY.

12. (SBU) In the first case, BOFT officials confirmed that Royal Team Corporation was investigated for exporting precision machine tools and industrial computers to North Korea without authorization. According to BOFT, the company claimed that the items were being exported to mainland China when, in fact, the ultimate destination was North Korea. The machine tools can be used to manufacture military weapons and bullet shells. The machine tools and industrial computers were on Taiwan's list of sensitive commodities requiring licenses for exports to Iran and North Korea that went into effect in June 2006.

13. (SBU) In a separate case, BOFT officials stated that an Iranian businessman in Taiwan was fined NTD 20,000 (approximately USD 606) for attempted export (note: not export as incorrectly reported in the local press) numerically controlled drilling machines to Iran. BOFT officials emphasized that this case shows the attention Taiwan pays to visiting Iranian and North Korean nationals and their activities during their stay in Taiwan.

14. (SBU) The following text is our translation of the original Chinese-language news article on the cases which appeared in the August 4, 2007 China Times:  
Royal Team Corporation directly sold to North Korea precision machine tools and industrial computers, which can be used to manufacture military weapons and bullet shells, but falsely claimed they were being sold to mainland China. The case was uncovered through joint efforts by a foreign intelligence station and the Investigation Bureau. This second counter proliferation case involving military trade between Taiwan and restricted countries and it has received international attention.  
Taiwan's government has adopted trade sanctions in response to North Korea's test firing of missiles and in order to cooperate with international export controls and the July 2005 UN Security Council Resolution 1695. In May last year the Bureau of Foreign Trade, MOEA, promulgated the "Sensitive Commodity List for Items Being Exported to North Korea and Iran" that lists over 400 items which may not be exported to North Korea or Iran and which took effect on 1 June.  
The Investigation Bureau discovered that Royal Team has been trading with North Korea for over ten years. Within the last year, the company has purchased computer components, precision industrial machine tools, sharpening machines, etc. from a certain company in Taipei and Taichung counties, which can be used to manufacture

weapons such as gun barrels and missile components. The total price amounted to approximately NT\$10 million and the items were separated into 14 orders with customs declarations listing the mainland as the destination. In actuality, the items were shipped directly to North Korea by air, or to the mainland by sea where they were then sold to North Korea.

These tools and computers are among those listed in the MOEA's "Sensitive Commodity List for Items Being Exported to North Korea and Iran," and the company did not apply to the Bureau of Foreign Trade for export permit for strategic high technology commodities (SHTC). By comparing labels, container numbers, numbers of items, weights, and export ship names, personnel from the Marine Affairs Field Office confirmed that these items have already been directly exported to North Korea.

The Marine Affairs Field Office then requested that Taipei District Prosecutor Chang Shu-hua lead the investigation and summon over 10 people for questioning, including Royal Team chairman Liu K'o-hua, actual person in charge Liu Chen-yi, and sales manager Liu Tung-jung. They verified that Liu Chen-yi met several times with North Korean trade officials and representatives, and possessed photos of those meetings.

Relevant personnel discovered that last year personnel from a North Korean government office came to Taiwan via the mainland in order to make purchases and last year an official from a state-run North Korean unit visited Taipei. The Marine Affairs Field Office has submitted the case for prosecution based on violations of the Foreign Trade Act, Articles 13 and 21.

Separately, the Investigation Bureau found that an Iranian businessman in Taiwan named Hsia Mo-sen [transliteration of the Chinese] exported SHTC numerically controlled drilling machines to Iran without a permit. He was sent to the Taipei District Prosecutor's Office on charges of violating the Foreign Trade Act. Prosecutors determined that Hsia Mo-sen frankly confessed his crime and therefore deferred prosecution and imposed a fine of NT\$20,000 on Hsia Mo-sen to be paid to the national treasury.

15. (SBU) COMMENT. The press coverage of the two investigations appears to be part of Taiwan's effort to showcase its commitment to enforce export control laws and to fully participate in United Nations Security Council Resolutions related to Iran and North Korea. AIT understands that these investigations received press coverage in Japan as well. We plan to follow the Royal Team Corporation case and will provide information on the outcome. END COMMENT.

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